
Medium Term Financial Strategy and Revenue Budget 2025-26 planning

Committee considering report:	Executive
Date of Committee:	7 November 2024
Portfolio Member:	Councillor Iain Cottingham
Report Author:	Joseph Holmes; Executive Director (Resources)
Forward Plan Ref:	EX4593

1 Purpose of the Report

- 1.1 The purpose of this report is to set out the financial planning assumptions for the four years ahead over the period of the Medium Term Financial Strategy (MTFS). This includes the latest assumptions on Government funding, and reform of Local Government Finance, and implications for the savings requirement in future budgets.
- 1.2 The report also includes items that are to be consulted upon over the period **11th November** to the **23rd December 2024**. These are not all of the savings proposed for the 2025-26, but are those where greater levels of consultation is required or proposed from the public.

2 Recommendation

- 2.1 To inform the Executive of the consultation timescales and the financial planning assumptions contained within the report

3 Implications and Impact Assessment

Implication	Commentary
Financial:	As detailed in the report. The Council has the lowest level of reserves of comparable authorities, and financial sustainability is a key risk for the Council. There is also a deficit on the 'High Needs Block' within the Dedicated Schools Grant. At present, this deficit (of over £9m) is kept away from impacting the general fund balance by a Government accounting treatment. This is due to end at the end of the financial year 2025-26 when this deficit would be released to the General Fund (which currently stands at only £4m).

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Human Resource:	None directly identified through the report, though there could be implications following consultation and as part of any budget setting proposals			
Legal:	Legal have reviewed the paper and highlighted areas for potential consultation			
Risk Management:	Consulting upon these savings reduces the risk of challenges to implementation at the timing of the budget in February 2025.			
Property:	None identified directly – some of the savings, if implemented, could have property implications			
Policy:	None identified			
	Positive	Neutral	Negative	Commentary
Equalities Impact:				
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?				These are included in appendix A on a case by case basis
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?				
Environmental Impact:		X		These will be updated pending consultation for the final budget papers

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Health Impact:		X		These will be updated pending consultation for the final budget papers
ICT Impact:		X		These will be updated pending consultation for the final budget papers
Digital Services Impact:		X		These will be updated pending consultation for the final budget papers
Council Strategy Priorities:		X		These will be updated pending consultation for the final budget papers
Core Business:		X		These will be updated pending consultation for the final budget papers
Data Impact:		X		These will be updated pending consultation for the final budget papers
Consultation and Engagement:	The purpose of this paper is to consult on savings items with the public and provide an opportunity for responses to these proposals.			

4 Executive Summary

- 4.1 The Council is seeking feedback, via a consultation exercise, on specific budget proposals for the year ahead. The Medium Term Financial Planning forecasts are highlighting significant savings proposals to be required for the 2025-26 budget. With assumptions based on a broadly cash flat financing from Government, alongside continued pressures on services through rising demand, the Council will need to consider a range of options in advance of the final budget proposals to Full Council in February 2025.
- 4.2 This paper has been written **before** the Government budget announcement on the 30th October. This may change some of the assumptions included within the paper. At present, there is no certainty over future Government funding levels for the Council, nor specific funding for Public Health, the Household Support Fund and a range of other grants. The statutory override of SEND (Special educational Needs and Disabilities) deficits, which for West Berkshire stands at over £9m, is due to end at the close of the 2025-26 financial year. If this statutory override of the deficit, currently keeping the deficit outside the Council's general fund, did not continue into 2026-27, the Council would have a negative General Fund reserve and would need to immediately seek Exceptional Financial Support or the issuance of a s114 notice.

5 Supporting Information

Introduction

5.1 This report highlights the financial planning assumptions for the Council over the next four years. The MTFs (Medium Term Financial Strategy) is approved by Full Council annually and is regularly refreshed with the latest assumptions that the Council is aware of. With the revenue budget papers due to Full Council at the end of February 2025, it is timely to bring to the Executive a paper setting out the latest financial forecasts as well as highlighting potential savings options for the year ahead that require consultation.

Background

5.2 Like so much of the Local Government sector, West Berkshire Council is under significant financial pressure. The Local Government Association (LGA) highlighted in its submission to the Treasury¹ in advance of the 30th October Budget the range of financial pressures, with the key points being:

- *Soaring costs in children's social care due to rising complexity and placement expenses while home-to-school transport costs for children with SEND have surged due to a 62.7 per cent rise in Education, Health and Care Plans from 2018/19 to 2023/24.*
- *Rising costs and demand in adult social care have driven a £3.7 billion (18.1 per cent) increase in budgeted spend from 2019/20 to 2024/25 while homelessness service costs have surged by £604 million (77.4 per cent) since 2019/20, driven by asylum, resettlement issues, and housing shortages and record spend on temporary accommodation.*
- *Growing pressure on councils' Dedicated Schools Grant budgets due to increased demand for services for children with special educational needs and disabilities. The 'deficit' on the provision of these services is forecast to reach £5 billion by 2025/26.*

5.3 The above are all significant pressures at West Berkshire. The current general fund reserve stands at £4m² (with a minimum level of reserves required to be £7.5m) and in recent comparative information from the Office of Local Government, the Council is shown as having the lowest levels of reserves as a percentage of any upper tier Council.



¹ <https://www.local.gov.uk/about/news/further-funding-cuts-councils-would-be-disastrous-urgent-funding-and-reform-needed>

² See item 76 of the Council papers, appendix F for how the minimum reserve is calculated
<https://decisionmaking.westberks.gov.uk/ieListDocuments.aspx?CId=116&MIId=7376>

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- 5.4 The latest in year forecast is showing an overspend of £2m³; with the 2024-25 budget including a contribution to reserves of £1.9m, this would in effect mean that general reserves stand stationary. The 2024-25 budget was set with a savings requirement of £14.5m, which is the largest amount in the history of the Council's existence. It should be noted that progress against the delivery of these savings is highlighting approximately 86% of these as delivered or highly likely to be delivered as at Q2.
- 5.5 If the Council was to have a larger overspend than currently forecast, then it would be in the position of seeking Exceptional Financial support (EFS) from Central Government. The EFS regime saw 19 Councils request this for the last financial year and involves the Government reviewing the individual Councils and then, if satisfied, approving one off funding that Council must repay via undertaking borrowing (at a higher than usual rate previously, though this enhanced rate has been removed by the Government in October 2024) or via the sale of assets. This approach would be in advance of any discussion around issuing a 's114' report commonly reported as Council bankruptcy (though Councils who have issued a s114 report have gone on to seek EFS).
- 5.6 It is crucial that the Council explores all avenues to improve its financial resilience by increasing reserves to the minimum level set by the s151 Officer (Chief Financial Officer). The MTFS includes an assumption that reserves continue to increase over the life of the financial planning period.

³ See item 7 <https://decisionmaking.westberks.gov.uk/ieListDocuments.aspx?CId=117&MId=7832>

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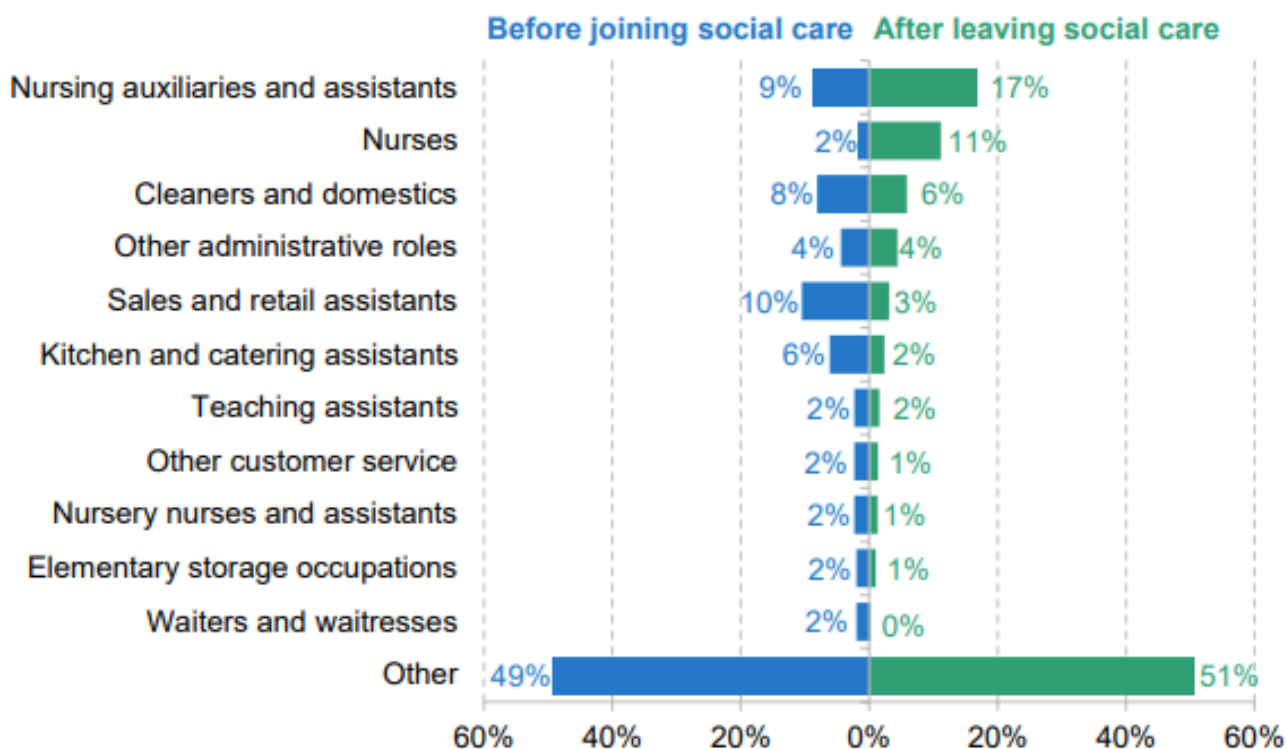
2024/25		Medium Term Financial Plan (MTFP)	2025/26	2026/27	2027/28	2028/29
£m	Line ref		£m	£m	£m	£m
2.99%		Council Tax income	2.99%	2.99%	2.99%	2.99%
2.00%		Adult Social Care Precept	2.00%	2.00%	2.00%	2.00%
124.2	1	Council Tax (incl. ASC)	131.2	138.6	146.3	154.6
29.9	2	Retained Business Rates	30.7	31.6	32.6	33.6
8.5	3a	Adult Social Care BCF and iBCF ringfenced funding	8.7	8.8	9.0	9.1
8.9	3b	Social Care Grant	10.9	10.9	10.9	10.9
2.6	3c	ASC Market Sustainability & Improvement Fund	2.6	2.6	2.6	2.6
0.7	3d	ASC discharge fund	0.2	0.2	0.2	0.2
0.7	4a	New Homes Bonus	0.7	0.7	0.7	0.7
0.1	4b	Services Grant	0.1	0.1	0.1	0.1
0.6	4c	Other non-ringfenced grants	0.4	0.4	0.4	0.4
1.7	4d	Funding floor guarantee grant	1.7	0.0	0.0	0.0
-3.0	5	Collection Fund deficit (-)/ surplus	-1.7	0.0	0.0	0.0
175.0	6	Funds Available	185.5	193.9	202.9	212.3
157.9	7	Base budget after adjustments	165.9	176.1	183.5	192.9
4.6	8a	Pay inflation	4.3	3.2	3.2	3.3
1.0	8b	Contract inflation and non pay inflation	2.2	1.9	2.0	2.0
12.4	8c	Modelled growth	8.0	8.5	7.0	6.0
2.2	9a	Investment	3.7	0.0	0.0	0.0
	9b	Commercial property loss of income	0.9	0.0	0.0	0.0
1.6	9c	Capital financing	2.7	1.4	1.8	2.0
-14.5	10a	Savings and income proposals identified	-4.9	-1.0	-1.0	-1.0
0.0	10b	Savings and income gap	-7.2	-6.6	-3.6	-2.1
165.3	11	Annual Budget Requirement	175.6	183.5	192.9	203.1
-0.7	12	One off investment/-savings	-0.3	0.0	0.0	0.0
164.6	13	Net Budget Requirement for Management Accounting	175.3	183.5	192.9	203.1
8.5	14	Adult Social Care BCF and iBCF ringfenced funding	8.7	8.8	9.0	9.1
173.1	15	Budget Requirement	184.0	192.3	201.9	212.3
0.0	16a	Use of Collection Fund Reserves	0.0	0.0	0.0	0.0
1.9	16b	Increase in reserves	1.5	1.6	1.0	0.0
175.0	17	Budget Requirement after use of reserves	185.5	193.9	202.9	212.3
		<i>£10k roundings may apply</i>				

The MTFS has a variety of assumption throughout it including:

- Assumed Council Tax rises of 4.99% (the current referendum levels) and that the Council tax base, number of properties in West Berkshire, increases by 400 per annum. A 1% Council Tax increase yields approximately £1.3m. The 4.99% assumption is based on current referendum levels for Council Tax.
- That inflation remains around the 2% level and that impacts on staff pay awards and inflation linked contracts that the Council has.
- That our fees and charges will increase by the October CPI (Consumer Price Index) figure plus 2%.
- That for 2025-26 there is a roll over budget on the same cash basis as 2025-26 with some additional funding for social care in line with the uplift provided in 2024-25.
- That any proposals for funding reform for the Local Government sector are broadly neutral for West Berkshire beyond 2026. In the absence of any further information, it is very difficult to put any reasonable assumptions for future years as much will be contingent on the 30th October budget (which was after the time of writing this

report), and future Government Spending Reviews. There is a significant implication for the Council if, for example, the Government implemented a hard reset of the business rates baseline; this would result in an immediate £10m+ cut to West Berkshire’s funding.

To note – the Institute of Fiscal Studies has set out changes to Government budgets per the below



- (f) That costs in social care continue to grow in, adult social care especially, line with demographic forecasts
- (g) That capital financing costs continue to grow to reflect future borrowing costs in line with the existing capital programme
- (h) That reserves grow to the minimum level as set out by the s151 officer.
- (i) That there is a collection fund deficit of £1.7m to match the figure included in the financial statements for 2023-24.

6 Implications for the 2025-26 revenue budget

6.1 The Council must ensure that it has a balanced budget for the year ahead. Given the very low levels of reserves, the general fund reserve needs to increase over the next and future financial years to over £9m to improve financial resilience for the Council.

6.2 Indicative savings and investment levels were set out to directorates in line with the paper to the Executive in July 2024, and proposals have been coming through that broadly match those assumptions for three of the four directorates.

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6.3 Due to large cost demands in social care, and especially children's social care, there has been a significant increase in overall savings requirement needed for 2025-26 from an assumption of £6.5m to now an overall savings requirement of £12.1m. The main areas of increase in costs include:

- (a) Increased social care costs in the care model rising from an assumed £5m growth to £8m, including greater demand and inflation for Children with Disability placement costs
- (b) Increased Home to School Transport costs of £1.3m
- (c) Increased investment in Children's social care services of £0.5m
- (d) Increased costs of legal costs through the shared joint legal team based at Reading Council of £0.5m
- (e) Capital financing costs of £2.7m – primarily driven by the cost to the General Fund of financing the deficit on the dedicated School's Grant High Needs Block (forecast to be at £17m by the end of 2024-25)

6.4 To address the budget deficit a range of options has been pulled together and the savings proposals being worked up are summarised in the table below:

Savings area	Amount / £m	Comments
Proposals delivered through efficiency, transformation and income that do not require consultation	3.3	Will be included in the budget paper for February 2025
Proposals that require consultation with service users and the public	1.6	Included in this paper
Further savings proposals identified	5.5	Review in progress and under assessment
Revised gap – further savings required to be identified	1.7	Review in progress

Proposals

6.5 The following savings proposals are due to consulted on during the period **11th November and 23rd December**.

Proposal Number	Proposal	Description	Savings / additional income p.a. ⁴
1	Proposal for a Council Tax Initiative whereby residents in Band G and H properties are formally consulted if they would support donated to a Council led charity	This will be included as a separate question in the consultation exercise	£200k
2	ASC fees and charges	Some fees and charges are currently being charged below what it costs to provide the service.	£100k
3	ASC Resource Centres	Explore options with the external market for delivering day services	£470k
4	Adult respite in community (ARC)	To explore ways of supporting learning disability clients in a different way	£30k
5	Litter and dog bins	To offer about 1/3 of dog and litter bins by working with town and parish councils	£20k
6	Turning off streetlights in residential roads	Turning off between midnight and 5am.	£50k
7	Discontinue mobile library	To replace this service with a more effective library service option for residents in rural	£40k

⁴ To the nearest £5k

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		areas e.g. deliver by the 'at home' service	
8	Reduction in winter gritting	Reducing the number of vehicles available for gritting from 8 down to 7, resulting in a reduction in length of gritting routes by 12.5%	£40k
9	Removal of Downland Sports Centre from the leisure contract	Low attendance levels compared to other sports facilities	£30k
10	General fees and charges increase of 5%	Proposed increase to fees and charges of 5% - included as a separate consultation question	£250k
		Total	£1,230k

6.6 Members of the public will be able to go onto the website <https://www.westberks.gov.uk/balancing-our-budget> and their comments recorded. The summary of these comments will be included within the budget papers that members will consider when setting the final budget in February 2025.

7 Other options considered

7.1 In the absence of the Local Government finance settlement and details for the Council's budgeted income for the year ahead, the Council has pursued a 'base case' assumption. The Council does not have other options of greater levels of funding for the sector, greater flexibility over Council Tax levels or the flexible use of Capital Receipts.

8 Conclusion

8.1 For the Executive to note the forthcoming consultation on the budget and the financial planning assumptions.

9 Appendices

9.1 Appendix A – Equalities Impact Assessment – See attached for specific savings proposals

9.2 Appendix B – Data Protection Impact Assessment – this will be included in the Budget consultation exercise

Background Papers:

Budget Papers – Council February 2024

Subject to Call-In:

Yes: No:

- | | |
|---|-------------------------------------|
| The item is due to be referred to Council for final approval | <input checked="" type="checkbox"/> |
| Delays in implementation could have serious financial implications for the Council | <input type="checkbox"/> |
| Delays in implementation could compromise the Council's position | <input checked="" type="checkbox"/> |
| Considered or reviewed by Scrutiny Commission or associated Committees, Task Groups within preceding six months | <input type="checkbox"/> |
| Item is Urgent Key Decision | <input type="checkbox"/> |
| Report is to note only | <input checked="" type="checkbox"/> |

Wards affected: All

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